

## Message Text

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ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00  
COME-00 DODE-00 FEAE-00 FPC-01 H-01 INR-07 INT-05  
L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06 OES-06 SP-02  
SS-15 STR-04 TRSE-00 ACDA-07 /097 W  
-----241335 027467 /44

R 241256Z FEB 77

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 1398

INFO AMEMBASSY ABU DHABI

AMEMBASSY KUWAIT

AMEMBASSY JIDDA

AMEMBASSY DHAHRAN

C O N F I D E N T I A L TEHRAN 1757

E.O. 11652: GDS

TAGS: ENRG IR

SUBJ: IRANIAN OIL PRODUCTION AND EXPORTS PICK UP

REF TEHRAN 1127

BEGIN LIMITED OFFICIAL USE

1. IF, AS REPORTED IN REFTEL, THE JANUARY LEVEL OF CRUDE PRODUCTION (AT 5.1 MILLION BPD) AND OF CRUDE AND PRODUCT EXPORTS (AT 4.4 MILLION BPD) WAS MILDLY ENCOURAGING TO THE SHAH AND HIS PETROLEUM ADVISORS, THE RESULTS FOR EARLY FEBRUARY MUST HAVE THEM IN A STATE OF EUPHORIA.

2. DURING THE FIRST 21 DAYS OF FEBRUARY, PRODUCTION IN THE KHUZISTAN OIL FIELDS AVERAGED 5,420 MBPD. THE EMBASSY ESTIMATES THAT NIOC AND JOINT VENTURE PRODUCTION WAS ABOUT 440 MBPD. CONSEQUENTLY, TOTAL PRODUCTION WAS ABOUT 5.9 MILLION BPD - THE SAME AS THE 1976 AVERAGE.

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3. DURING FEBRUARY 1-21, THE CONSORTIUM EXPORTED 4,050 MBPD WHILE NIOC'S DIRECT EXPORTS WERE 885 MBPD. ALLOWING 375 MBPD FOR JOINT VENTURE EXPORTS, TOTAL CRUDE EXPORTS WERE ABOUT 5.3 MILLION BPD, WHICH IS 100 MBPD HIGHER THAN THE 1976 AVERAGE. ADDITIONALLY, THE CONSORTIUM IS CURRENTLY EXPORTING ABOUT 240 MBPD OF REFINED PRODUCTS FROM ABADAN.

4. ACCORDING TO ROUGH EMBASSY CALCULATIONS, THE GROSS PAYMENTS THAT IRAN WILL RECEIVE, WHEN PAYMENT IS MADE, FOR JANUARY AND FEBRUARY CRUDE AND PRODUCT EXPORTS (ASSUMING EXPORTS DURING THE LAST WEEK OF FEBRUARY CONTINUE AT THE LEVELS OF THE FIRST THREE WEEKS) WILL BE 1.7 AND 1.9 BILLION DOLLARS RESPECTIVELY. THE RESULTS FOR JANUARY ARE, IN DOLLAR TERMS, ABOUT 9 PERCENT LOWER THAN THE GROSS REVENUE EARNED FROM AVERAGE MONTHLY CRUDE AND PRODUCT EXPORTS IN 1976. ON THE SAME BASIS, REVENUE FROM FEBRUARY EXPORTS WILL BE 4 PERCENT HIGHER THAN THE 1976 AVERAGE.

5. AGAINST THIS BACKGROUND, IT IS NOT SURPRISING THAT THE HEAD OF INTERNATIONAL RELATIONS OF NIOC, PARVIZ MINA, ANNOUNCED THIS WEEK THAT IRAN IS DETERMINED TO GO AHEAD WITH THE ADDITIONAL 5 PERCENT PRICE INCREASE ON JULY 1. MINA ALSO SAID THAT HE BELIEVES THAT THERE IS LITTLE CHANCE FOR A COMPROMISE ON THE TWO-TIER PRICE SYSTEM BEFORE THE NEXT SCHEDULED OPEC MINISTERIAL MEETING IN JULY. END LIMITED OFFICIAL USE

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6. COMMENT: WE BELIEVE THAT MINA'S REMARKS CONCERNING THE JULY PRICE INCREASE WERE MERELY ANOTHER SALVO IN THE WAR OF NERVES AND PROPAGANDA BETWEEN IRAN AND SAUDI ARABIA. THE SHAH HAS MADE IT CLEAR IN PUBLISHED INTERVIEWS THAT THE FINAL DECISION WILL DEPEND, IN LARGE PART, UPON THE SITUATION PREVAILING IN THE INTERNATIONAL PETROLEUM MARKET AT MID-YEAR. HOWEVER, THERE ARE CLEAR INDICATIONS THAT THE SHAH IS BECOMING INCREASINGLY HOPEFUL AND EVEN CONFIDENT ABOUT IRAN'S PROSPECTS IN CURRENT INTRA-OPEC DISPUTE. WE SPECULATE THAT IRAN WAS MOST VULNERABLE TO THE  
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FINANCIAL AND PSYCHOLOGICAL PRESSURES OCCASIONED BY A FALL IN OIL EXPORTS IN JANUARY AND FEBRUARY, AND THAT IT WOULD REQUIRE A MORE PRECIPITATE FALL IN MARCH AND APRIL (AND THEREAFTER) THAN IT WOULD HAVE IN JANUARY-FEBRUARY TO CAUSE THE SHAH TO BACK DOWN.  
MIKLOS

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## Message Attributes

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